

ICC Staff Cross Ex. 14



FORM 10-K

EXELON CORP - EXC

Filed: April 01, 2002 (period: December 31, 2001)

Annual report which provides a comprehensive overview of the company for the past year

OFFICIAL FILE

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Witness Mitchell

note 3.30.04 reporter KA

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

- [X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001 OR
- [] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number -----	Name of Registrant; State of Incorporation; Address of Principal Executive Offices; and Telephone Number -----	IRS Employer Identification Number -----
1-16169	EXELON CORPORATION (a Pennsylvania corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	23-2990190
1-1839	COMMONWEALTH EDISON COMPANY (an Illinois corporation) 10 South Dearborn Street - 37th Floor P.O. Box 805379 Chicago, Illinois 60680-5379 (312) 394-4321	36-0938600
1-1401	PECO ENERGY COMPANY (a Pennsylvania corporation) P.O. Box 8699 2301 Market Street Philadelphia, Pennsylvania 19101-8699 (215) 841-4000	23-0970240

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class -----	Name of Each Exchange on Which Registered -----
EXELON CORPORATION: Common Stock, without par value	New York, Chicago and Philadelphia
COMMONWEALTH EDISON COMPANY: Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Commonwealth Edison Company's 8.48% Subordinated Debt Securities and unconditionally guaranteed by Commonwealth Edison Company	New York
PECO ENERGY COMPANY: First and Refunding Mortgage Bonds: 6-3/8% Series due 2005, and 6-1/2% Series due 2003	New York

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

EXELON

The information required by this Item is incorporated herein by reference to the Consolidated Statements of Income for the years 2001, 2000 and 1999; Consolidated Statements of Cash Flows for the years 2001, 2000 and 1999; Consolidated Balance Sheets as of December 31, 2001 and 2000; Consolidated Statements of Changes in Shareholders' Equity for the years 2001, 2000 and 1999 and Consolidated Statements of Comprehensive Income for the years 2001, 2000 and 1999; and Notes to Consolidated Financial Statements appearing in Exhibit 99-4 to Exelon's Current Report on Form 8-K dated February 28, 2002.

ComEd

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of
Commonwealth Edison Company:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(2)(i) present fairly, in all material respects, the financial position of Commonwealth Edison Company and Subsidiary Companies (ComEd) at December 31, 2001 and 2000, and the results of their operations and their cash flows for the year ended December 31, 2001 and for the periods from October 20, 2000 to December 31, 2000 and from January 1, 2000 to October 19, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2)(ii) for the years ended December 31, 2001 and 2000, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of ComEd's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, effective October 20, 2000, Exelon Corporation acquired Unicom Corporation, the parent company of ComEd at that date, in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information for the period after the acquisition is presented on a different cost basis than that for the periods before the acquisition and therefore, is not comparable. As discussed in Note 2, as part of a corporate restructuring undertaken on January 1, 2001 by Exelon Corporation, the parent company of ComEd, all of ComEd's generation-related and certain other operations, assets and liabilities of ComEd were transferred to affiliated companies of ComEd.

As discussed in Note 1 to the consolidated financial statements, ComEd changed its method of accounting for derivative instruments and hedging activities effective January 1, 2001.

PricewaterhouseCoopers LLP

Chicago, Illinois

January 29, 2002, except for Note 19 for which the date is March 21, 2002.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Commonwealth Edison Company:

We have audited the consolidated statements of income, cash flows, comprehensive income and changes in shareholders' equity of Commonwealth Edison Company (an Illinois corporation) and Subsidiary Companies for the year ended December 31, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Commonwealth Edison Company and Subsidiary Companies for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed under Item 14(a)(2)(ii) for the year ended December 31, 1999, is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Chicago, Illinois
January 31, 2000

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF INCOME

(in millions)	For the Year Ended Dec. 31, 2001	For the period Oct. 20 - Dec. 31, 2000	For the period Jan. 1 - Oct. 19, 2000	For the Year Ended Dec. 31, 1999
-----	-----	-----	-----	-----
OPERATING REVENUES				
Operating Revenues	\$ 6,125	\$ 1,297	\$ 5,625	\$ 6,793
Operating Revenues from Affiliates	81	13	77	--
Total Operating Revenues	6,206	1,310	5,702	6,793
OPERATING EXPENSES				
Fuel and Purchased Power	14	322	1,655	1,549
Purchased Power from Affiliate	2,656	--	--	--
Operating and Maintenance	833	423	1,653	2,352
Operating and Maintenance from Affiliates	148	--	--	--
Merger-Related Costs	--	14	53	--
Depreciation and Amortization	665	130	868	836
Taxes Other Than Income	296	83	425	507
Total Operating Expenses	4,612	972	4,654	5,244
OPERATING INCOME	1,594	338	1,048	1,549
Other Income and Deductions				
Interest Expense	(555)	(127)	(469)	(602)
Interest Expense from Affiliates	(10)	--	--	--
Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely the Company's Subordinated Debt Securities	(30)	(6)	(24)	(30)
Interest Income from Affiliates	79	29	150	8
Other, Net	35	2	127	52
Total Other Income and Deductions	(481)	(102)	(216)	(572)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	1,113	236	832	977
INCOME TAXES	506	103	229	326
INCOME BEFORE EXTRAORDINARY ITEMS	607	133	603	651
EXTRAORDINARY ITEMS (NET OF INCOME TAXES OF \$2 AND \$18 FOR THE PERIODS ENDING OCT. 19, 2000 AND DEC. 31, 1999, RESPECTIVELY)	--	--	(4)	(28)
NET INCOME	607	133	599	623
PREFERRED AND PREFERENCE STOCK DIVIDENDS	--	--	3	24
NET INCOME ON COMMON STOCK	\$ 607	\$ 133	\$ 596	\$ 599
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	For the Year Ended Dec. 31, 2001	For the Oct. 20 - Dec. 31 2000	For the period Jan. 1 - Oct. 19 2000	For the Year Ended Dec. 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	\$ 607	\$ 133	\$ 599	\$ 623
Adjustments to reconcile Net Income to Net Cash Flows provided by Operating Activities:				
Depreciation and Amortization	665	174	1,012	902
Extraordinary Items (net of income taxes)	--	--	4	28
(Gain)/loss on Forward Share Arrangements	--	--	(113)	44
Reversal of Provision for Revenue Refunds	(15)	--	--	--
Provision for Uncollectible Accounts	42	16	30	87
Deferred Income Taxes	14	72	861	(1,456)
Merger-Related Costs	--	14	53	--
Early Retirement and Separation Program	--	--	28	(62)
Midwest Independent System Operator Exit Fees	(36)	--	--	--
Contribution to Environmental Trust	--	--	--	(250)
Recovery of Coal Reserve Regulatory Assets	--	--	--	198
Other Operating Activities	(2)	(69)	(163)	1
Changes in Working Capital:				
Accounts Receivable	76	(37)	96	(175)
Inventories	16	97	17	(6)
Accounts Payable, Accrued Expenses & Current Liabilities	149	65	(1,334)	1,331
Change in Receivables and Payables to Affiliates, net	(166)	--	(10)	(6)
Other Current Assets	2	59	(6)	(16)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,352	524	1,074	1,243
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in Plant	(839)	(196)	(1,210)	(1,337)
Plant Removals, net	(30)	(11)	(14)	(75)
Sales of Generating Plants	--	--	--	4,886
Proceeds from Nuclear Decommissioning Trust Funds	--	288	1,251	1,593
Investment in Nuclear Decommissioning Trust Funds	--	(377)	(1,290)	(1,683)
Change in Receivables from Affiliates	417	(441)	288	(2,209)
Other Investments	--	(63)	139	(37)
Other Investing Activities	11	--	9	8
NET CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES	(441)	(800)	(827)	1,146
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of Long-Term Debt, net of issuance costs	--	--	450	--
Common Stock Repurchases	--	--	(153)	(115)
Retirement of Long-Term Debt	(542)	(84)	(755)	(1,558)
Change in Short-Term Debt	--	--	(5)	(272)
Redemption of Preferred Securities of Subsidiaries	--	--	(71)	(534)
Change in Restricted Cash	19	50	175	2,778
Dividends on Capital Stock	(483)	(95)	(260)	(392)
Common Stock Forward Repurchases	--	--	(67)	(813)
Nuclear Fuel Lease Principal Payments	--	--	(270)	(255)
Other Financing Activities	(23)	--	--	--
NET CASH FLOW USED IN FINANCING ACTIVITIES	(1,029)	(129)	(956)	(1,161)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(118)	(405)	(709)	1,228
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	141	546	1,255	27
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 23	\$ 141	\$ 546	\$ 1,255

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	at December 31,	
(in millions)	2001	2000
<hr/>		
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 23	\$ 141
Restricted Cash	41	60
Accounts Receivable, net		
Customer	745	970
Other	87	234
Inventories, at average cost	56	186
Deferred Income Taxes	52	89
Receivables from Affiliates	95	468
Other	15	24
	<hr/>	<hr/>
Total Current Assets	1,114	2,172
	<hr/>	<hr/>
PROPERTY, PLANT AND EQUIPMENT, NET	7,351	7,657
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory Assets	667	1,110
Nuclear Decommissioning Trust Funds	--	2,669
Investments	64	152
Goodwill, net	4,902	4,766
Receivables from Affiliates	1,314	1,316
Other	304	356
	<hr/>	<hr/>
Total Deferred Debits and Other Assets	7,251	10,369
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TOTAL ASSETS	\$ 15,716	\$ 20,198
	<hr/>	<hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-Term Debt Due Within One Year	\$ 849	\$ 348
Accounts Payable	144	597
Accrued Expenses	63	148
Accrued Interest	165	149
Accrued Taxes	146	79
Payables to Affiliates	307	--
Customer Deposits	90	73
Other	122	329
	<hr/>	<hr/>
Total Current Liabilities	1,886	1,723
	<hr/>	<hr/>
LONG-TERM DEBT	5,850	6,882
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	1,671	1,837
Unamortized Investment Tax Credits	55	59
Nuclear Decommissioning Liability for Retired Plants	--	1,301
Pension Obligations	151	285
Non-Pension Postretirement Benefits Obligation	146	315
Spent Fuel Obligation	--	810
Payables to Affiliates	297	--
Other	248	475
	<hr/>	<hr/>
Total Deferred Credits and Other Liabilities	2,568	5,082
	<hr/>	<hr/>

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF

SUBSIDIARY TRUSTS HOLDING THE COMPANY'S SUBORDINATED DEBT SECURITIES	329	328
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common Stock	2,048	2,678
Preference Stock	7	7
Other Paid in Capital	5,057	5,388
Receivable from Parent	(937)	--
Retained Earnings	257	133
Treasury Stock, at cost	(1,344)	(2,023)
Accumulated Other Comprehensive Income	(5)	--
	-----	-----
Total Shareholders' Equity	5,083	6,183
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 15,716	\$ 20,198
	=====	=====

See Notes to Consolidated Financial Statements

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions)	Preferred and Common Preference Stock	Other Receivable Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
BALANCE, DECEMBER 31, 1998	\$ 2,678	\$ 524	\$ 2,208	\$ 177	\$ (7)	\$ 5,580
Net Income	--	--	623	--	--	623
Preferred and Preference Stock Redemptions	--	(515)	--	--	--	(515)
Capital Stock and Warrant Expense	--	--	3	(16)	--	(13)
Common Stock Dividends	--	--	--	(342)	--	(342)
Preferred and Preference Stock Dividends	--	--	--	(9)	--	(9)
Common Stock Repurchases	--	--	--	--	(20)	(20)
Other Comprehensive Income, net of income taxes of \$5	--	--	--	8	--	8
BALANCE, DECEMBER 31, 1999	\$ 2,678	\$ 9	\$ 2,211	\$ 433	\$ (27)	\$ 5,312
Net Income	--	--	--	599	--	599
Preferred and Preference Stock Redemptions	--	(2)	--	--	--	(2)
Capital Stock Expense	--	--	--	(1)	--	(1)
Common Stock Dividends	--	--	--	(238)	--	(238)
Preferred and Preference Stock Dividends	--	--	--	(1)	--	(1)
Common Stock Repurchases	--	--	--	--	(153)	(153)
Stock Forward Repurchase Contract	--	--	--	--	(993)	(993)
Other Comprehensive Income, net of income taxes of \$0	--	--	--	(2)	--	(2)
BALANCE, OCTOBER 19, 2000	\$ 2,678	\$ 7	\$ 2,211	\$ 792	\$ (1,173)	4,521
Net Income	--	--	--	133	--	133
Merger Fair Value Adjustments	--	--	3,177	(792)	--	2,379
Common Stock Repurchases	--	--	--	--	(850)	(850)
BALANCE, DECEMBER 31, 2000	\$ 2,678	\$ 7	\$ 5,388	\$ 133	\$ (2,023)	\$ 6,183
Net Income	--	--	--	607	--	607
Capital Contribution from Parent	--	--	1,062	(937)	--	125
Retirement of Treasury Shares	(630)	--	(1,393)	--	2,023	--
Merger Fair Value Adjustments	--	--	24	--	--	24
Corporate Restructuring	--	--	(24)	--	(1,344)	(1,368)
Common Stock Dividends	--	--	--	(483)	--	(483)
Other Comprehensive Income, net of income taxes of \$1	--	--	--	(5)	--	(5)
BALANCE, DECEMBER 31, 2001	\$ 2,048	\$ 7	\$ 5,057	\$ (937)	\$ (5)	\$ 5,083

COMMONWEALTH EDISON COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	For the Year Ended December 31, 2001	For the Period Oct. 20-Dec. 31, 2000	For the Year Ended Jan. 1 -Oct. 19 2000	For the Year Ended December 31, 1999
Net Income	\$ 607	\$ 133	\$ 599	\$ 623
Other Comprehensive Income				
Cash Flow Hedge Fair Value Adjustment, net of income taxes of \$0	(1)	--	--	--
Foreign Currency Translation Adjustment, net of income taxes of \$0	(1)	--	--	--
Unrealized Gain (Loss) on Marketable Securities, net of income taxes of \$1, \$0 and \$5, respectively	(3)	--	(2)	8
Merger Fair Value Adjustment	--	(6)	--	--
Total Other Comprehensive Income	(5)	(6)	(2)	8
Total Comprehensive Income	\$ 602	\$ 127	\$ 597	\$ 631

See Notes to Consolidated Financial Statements

Commonwealth Edison Company and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, unless otherwise noted)

1. Significant Accounting Policies

DESCRIPTION OF BUSINESS As a result of the corporate restructuring, effective January 1, 2001 (see Note 2 - Corporate Restructuring), Commonwealth Edison Company's (ComEd's) generation and other competitive businesses were separated from its regulated energy delivery business. As a result, the operations of ComEd consist of its retail electricity distribution and transmission business to 3.6 million retail customers. ComEd's retail electric service territories are located principally in northern Illinois including metropolitan Chicago, spanning an area of approximately 11,300 square miles.

BASIS OF PRESENTATION The consolidated financial statements of ComEd include the accounts of ComEd, Commonwealth Edison Company of Indiana, Inc., Edison Development Canada Inc., ComEd Financing I and ComEd Financing II, ComEd Funding LLC (ComEd Funding), and ComEd Transitional Funding Trust (ComEd Funding Trust). All significant intercompany transactions have been eliminated. Although the accounts of ComEd Funding and ComEd Funding Trust, which are Special Purpose Entities (SPEs), are included in the consolidated financial statements, as required by generally accepted accounting principles (GAAP), ComEd Funding and ComEd Funding Trust are separate legal entities from ComEd. The assets of the SPEs are not available to creditors of ComEd and the transitional property held by the SPEs are not assets of ComEd.

Accounting policies for regulated operations are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the Illinois Commerce Commission (ICC), the Federal Energy Regulatory Commission (FERC) and the Securities and Exchange Commission (SEC) under the Public Utility Holding Company Act of 1935 (PUHCA).

ComEd, a regulated electric utility, is a principal subsidiary of Exelon Corporation (Exelon), which owns 99.9% of ComEd common stock. ComEd was the principal subsidiary of Unicom Corporation (Unicom) prior to the merger with Exelon. See Note 3 - Merger. The merger was accounted for using the purchase method of accounting in accordance with GAAP. The effects of the purchase method are reflected on the financial statements of ComEd as of the merger date. Accordingly, the financial statements presented for the period after the merger reflect a new basis of accounting. ComEd's financial statements for 2000, separated by a bold black line, are presented for periods prior to and subsequent to the merger.

ACCOUNTING FOR THE EFFECTS OF REGULATION ComEd accounts for its regulated electric operations in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," requiring ComEd to record in the financial statement the effects of the rate regulation to which these operations are currently subject. Use of SFAS No. 71 is applicable to the utility operations of ComEd that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable assumption that all costs will be recoverable from customers through rates. ComEd believes that it is probable that regulatory assets associated with these operations will be recovered. If a separable portion of ComEd's business no longer meets the provisions of SFAS No. 71, ComEd is required to eliminate the financial statement effects of regulation for that portion.

USE OF ESTIMATES The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates have been made in the accounting for unbilled revenue, derivatives, environmental costs, retirement benefit costs and prior to the corporate restructuring nuclear decommissioning liabilities.

REVENUES Operating revenues are generally recorded as service is rendered or energy is delivered to customers. At the end of each month, ComEd accrues an estimate for the unbilled amount of energy delivered or services provided to its customers.

NUCLEAR FUEL Prior to the corporate restructuring in which ComEd's nuclear generating stations were transferred to Exelon Generation Company, LLC (Generation) (see Note 2 - Corporate Restructuring), the cost of nuclear fuel was capitalized and charged to fuel expense using the unit of production method. Estimated costs of nuclear fuel storage and disposal were charged to expense as the related fuel was consumed.

DEPRECIATION, AMORTIZATION AND DECOMMISSIONING Depreciation is provided over the estimated service lives of property, plant, and equipment on a straight line basis. Annual depreciation provisions for financial reporting purposes, expressed as a percentage of average service life for each asset category are presented below:

Asset Category	2001	2000	1999
-----	----	----	----
Electric -- Transmission and Distribution	5.20%	5.83%	3.24%
Electric -- Generation	--	4.83%	2.20%
Other Property and Equipment	5.95%	7.31%	5.71%
	----	----	----

Amortization of regulatory assets is provided over the recovery period specified in the related legislation or regulatory agreement. See Note 5 - Regulatory Issues - regarding the regulatory accounting treatment for the nuclear generating stations transferred to Generation.

Goodwill associated with the merger was amortized on a straight line basis over 40 years in 2001 and 2000. Accumulated amortization of goodwill was \$149 and \$23 million at December 31, 2001 and 2000, respectively. Effective January 1, 2002, under SFAS No. 142 "Goodwill and Other Intangible Assets" (SFAS 142), goodwill recorded by ComEd is no longer subject to amortization. See the New Accounting Pronouncement section of this note.

ComEd's estimate of the costs for decommissioning nuclear generating stations transferred to Generation is currently included in regulated rates. Prior to the corporate restructuring the amounts recovered from customers were deposited in trust accounts and invested for funding of future costs for current and retired plants. ComEd accounted for the current period cost of decommissioning by recording a charge to depreciation expense and a corresponding liability in accumulated depreciation for its operating nuclear units and a reduction to regulatory assets for its retired units. Subsequent to the corporate restructuring, amounts recovered from customers are remitted to Generation.

CAPITALIZED INTEREST ComEd uses SFAS No. 34, "Capitalization of Interest Costs", to calculate the costs during construction of debt funds used to finance its non-regulated construction projects. ComEd recorded capitalized interest of \$0 million, \$5 million and \$22 million in 2001, 2000 and 1999, respectively.

Allowance for Funds Used During Construction (AFUDC) is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC of \$17 million, \$19 million and \$22 million in 2001, 2000 and 1999, respectively, was recorded as a charge to Construction Work in Progress and as a non-cash credit to AFUDC which is included in Other Income and Deductions. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

INCOME TAXES Deferred Federal and state income taxes are provided on all significant temporary differences between book bases and tax bases of assets and liabilities, transactions that reflect taxable income in a year different from book income and tax carryforwards. Investment tax credits previously used for income tax purposes have been deferred on ComEd's Consolidated Balance Sheets and are recognized in book income over the life of the related property. ComEd files a consolidated Federal and state income tax returns with Exelon, and was previously included in Unicom's consolidated income tax returns. Current and deferred income taxes of the consolidated group are allocated to ComEd as if ComEd filed separate income tax returns.

GAINS AND LOSSES ON REACQUIRED DEBT Recoverable gains and losses on reacquired debt related to regulated operations are deferred and amortized to interest expense over the period consistent with rate recovery for ratemaking purposes. In 2000 and 1999, prior to the corporate restructuring, gains and losses on reacquired debt were recognized in ComEd's Consolidated Statements of Income as incurred.

COMPREHENSIVE INCOME Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to shareholders.

CASH AND CASH EQUIVALENTS ComEd considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

RESTRICTED CASH Restricted cash reflects unused cash proceeds from the issuance of the transitional trust notes and escrowed cash to be applied to the principal and interest payment on the transitional trust notes.

MARKETABLE SECURITIES Marketable securities are classified as available-for-sale securities and are reported at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Prior to the corporate restructuring (see Note 2 - Corporate Restructuring), unrealized gains and losses on marketable securities held in the nuclear decommissioning trust funds were reported in accumulated depreciation for operating units and as a reduction of regulatory assets for retired units. At December 31, 2001 and 2000, ComEd had no held-to-maturity or trading securities.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is recorded at cost. ComEd evaluates the carrying value of property, plant and equipment and other long-term assets based upon current and anticipated undiscounted cash flows, and recognizes an impairment when it is probable that such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between carrying value and fair value. The cost of maintenance, repairs and minor replacements of property are charged to maintenance expense as incurred.

Upon retirement, the cost of regulated property plus removal costs less salvage, are charged to accumulated depreciation in accordance with the provisions of SFAS No. 71. For unregulated property, the cost and accumulated depreciation of property, plant and equipment

retired or otherwise disposed of are removed from the related accounts and included in the determination of the gain or loss on disposition.

CAPITALIZED SOFTWARE COSTS Costs incurred during the application development stage of software projects which are developed or obtained for internal use are capitalized. At December 31, 2001 and 2000, net capitalized software costs totaled \$104 million and \$150 million, respectively, reflecting \$17 million and \$4 million in accumulated amortization, respectively. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, not to exceed 10 years. Certain capitalized software is being amortized over 15 years pursuant to regulatory approval.

DERIVATIVE FINANCIAL INSTRUMENTS ComEd accounts for derivative financial instruments pursuant to SFAS No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS 133). Under the provisions of SFAS 133, all derivatives are recognized on the balance sheet at their fair value unless they qualify for a normal purchases and normal sales exception. Changes in the fair value of the derivative financial instrument are recognized in earnings unless specific hedge accounting criteria are met. A derivative financial instrument can be designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), or a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). Changes in the fair value of a derivative that is highly effective as, and is designated and qualifies as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective as, and is designated as and qualifies as a cash flow hedge are recorded in other comprehensive income, until earnings are affected by the variability of cash flows being hedged.

In connection with Exelon's Risk Management Policy, ComEd enters into derivatives to effectively convert fixed rate debt to floating rate debt, manage its exposure to fluctuations in interest rates related to planned future debt issuances prior to their actual issuance, as well as exposure to changes in the fair value of outstanding debt which is planned for early retirement.

Prior to the adoption of SFAS No. 133, ComEd applied hedge accounting only if the derivative reduced the risk of the underlying hedged item and was designated at the inception of the hedge, with respect to the hedged item. ComEd recognized any gains or losses on these derivatives when the underlying physical transaction affected earnings.

NEW ACCOUNTING PRONOUNCEMENTS In 2001, the FASB issued SFAS No. 141, "Business Combinations" (SFAS No. 141), SFAS No. 142, No. 143, "Asset Retirement Obligations" (SFAS No. 143), and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

SFAS No. 141 requires that all business combinations be accounted for under the purchase method of accounting and establishes criteria for the separate recognition of intangible assets acquired in business combinations. SFAS No. 141 is effective for business combinations initiated after June 30, 2001.

SFAS No. 142 establishes new accounting and reporting standards for goodwill and intangible assets. ComEd adopted SFAS No. 142 as of January 1, 2002. Under SFAS No. 142, effective January 1, 2002, goodwill recorded by ComEd is no longer subject to amortization. After January 1, 2002, goodwill will be subject to an assessment for impairment using a two-step fair value based test, the first step of which must be performed at least annually, or more frequently if events or circumstances indicate that goodwill might be impaired. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the goodwill to the fair value of the goodwill. If the

fair value of goodwill is less than the carrying amount, an impairment loss would be reported as a reduction to goodwill and a charge to operating expense, except at the transition date, when the loss would be reflected as a cumulative effect of a change in accounting principle. As of December 31, 2001, ComEd's Consolidated Balance Sheets reflected approximately \$4.9 billion in Goodwill, net of accumulated amortization. Annual amortization of goodwill of \$126 million was discontinued upon adoption of SFAS No. 142. In the first quarter of 2002, ComEd has completed the first step of the transitional impairment analysis, which indicated that its goodwill is not impaired.

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction under the doctrine of promissory estoppel. This statement is effective for fiscal years beginning after June 15, 2002 with initial application as of the beginning of the fiscal year. ComEd is in the process of evaluating the impact of SFAS No. 143 on its financial statements.

SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001 and provisions of this statement are generally applied prospectively. ComEd is in the process of evaluating the impact of SFAS No. 144 on its financial statements and does not expect the impact to be material.

RECLASSIFICATIONS Certain prior year amounts have been reclassified for comparative purposes. These reclassifications had no effect on net income or shareholders' equity.

2. Corporate Restructuring

During January 2001, Exelon undertook a corporate restructuring to separate its generation and other competitive businesses from its regulated energy delivery businesses at ComEd and PECO. As part of the restructuring, the generation-related operations and assets and liabilities of ComEd were transferred to Generation. Additionally, certain operations and assets and liabilities of ComEd were transferred to Exelon Business Services Company (BSC). As a result, effective January 1, 2001, the operations of ComEd consist of its retail electricity distribution and transmission business in northern Illinois.

The corporate restructuring had the following effect on the Condensed Consolidated Balance Sheets of ComEd:

Decrease in Assets:	
Current Assets	\$ (397)
Property, Plant and Equipment, net	(781)
Investments	(85)
Other Noncurrent Assets	(2,629)
Decrease in Liabilities:	
Current Liabilities	799
Long-Term Debt	--
Deferred Income Taxes	(24)
Other Noncurrent Liabilities	2,212
Net Assets Transferred	\$ (905)
	=====

Consideration, based on the net book value of the net assets transferred, was as follows:

Treasury Stock Received	\$ 1,344
Other Paid in Capital	24
Notes Payable - Affiliates	(463)

	\$ 905

In connection with the restructuring, ComEd assigned its respective rights and obligations under various power purchase and fuel supply agreements to Generation. Additionally, ComEd entered into a power purchase agreement (PPA) with Generation.

Under the PPA between ComEd and Generation, Generation has agreed to supply all of ComEd's load requirements through 2004. Prices for this energy vary depending upon the time of day and month of delivery. During 2005 and 2006, ComEd's PPA is a partial requirements agreement under which ComEd will purchase all of its required energy and capacity from Generation, up to the available capacity of the nuclear generating plants formerly owned by ComEd and transferred to Generation. Under the terms of the PPA, Generation is responsible for obtaining any required transmission service. The PPA also specifies that prior to 2005, ComEd and Generation will jointly determine and agree on a market-based price for energy delivered under the PPA for 2005 and 2006. In the event that the parties cannot agree to market-based prices for 2005 and 2006 prior to July 1, 2004, ComEd has the option of terminating the PPA effective December 31, 2004. ComEd will obtain any additional supply required from market sources in 2005 and 2006, and subsequent to 2006, will obtain all of its supply from market sources, which could include Generation.

The obligation for decommissioning ComEd's nuclear facilities and the related trust fund assets were transferred to Generation concurrently with the transfer of the generating plants and the related Nuclear Regulatory Commission (NRC) operating licenses as of January 1, 2001. ComEd had historically accounted for the current period's cost of decommissioning by recording a charge to depreciation expense and a corresponding liability in accumulated depreciation for its operating units and a reduction to regulatory assets for retired units (in current year dollars) on a straight-line basis over the NRC operating license life of the plants. As of December 31, 2000, ComEd's cumulative liability of \$2.1 billion was recorded as a component of accumulated depreciation. Additionally, a \$1.3 billion liability representing the present value of the estimated cost of decommissioning nuclear units previously retired was recorded as a long-term liability. These liabilities, as well as investments in trust fund assets of \$2.7 billion to fund the costs of decommissioning, were transferred to Generation.

Additionally, as part of the corporate restructuring, ComEd's liability to the U.S. Department of Energy (DOE) for payment of its one-time fee for spent nuclear fuel disposal was transferred to Generation. As of December 31, 2000, this liability, including accrued interest, was \$810 million. Also, provisions for nuclear insurance were assumed by Generation under terms and conditions commensurate with those previously borne by ComEd.

3. Merger

On October 20, 2000, Exelon became the parent corporation of PECO Energy Company (PECO) and ComEd as a result of the completion of the transactions contemplated by an Agreement and Plan of Exchange and Merger, as amended (Merger Agreement), among PECO, Unicom Corporation (Unicom) and Exelon. Pursuant to the Merger Agreement, Unicom merged with and into Exelon (Merger). In the Merger, each share of the outstanding common stock of Unicom was converted into 0.875 shares of common stock of Exelon plus \$3.00 in cash. As a result of the Merger, Unicom ceased to exist and its subsidiaries, including ComEd, became subsidiaries of Exelon.

The Merger was accounted for using the purchase method of accounting. Purchase transactions resulting in one entity becoming substantially wholly owned by the acquiror establish a new basis of accounting in the acquired entity's records for the purchased assets and liabilities. Thus, the purchase price has been allocated to the underlying assets purchased and liabilities assumed based on their estimated fair values at the acquisition date. As a result of the application of the purchase method of accounting, the following fair value adjustments as adjusted to reflect final purchase price allocation, including the elimination of accumulated depreciation, retained earnings and other comprehensive income, were recorded in ComEd's Consolidated Balance Sheets:

	Total

Increase (Decrease) in Assets:	
Property, Plant and Equipment, net	\$(4,791)
Goodwill	5,051
Other Assets	(254)
(Increase) Decrease in Liabilities and Shareholders' Equity:	
Deferred Income Taxes	1,756
Unamortized Investment Tax Credits	401
Merger Severance Obligation	(327)
Pension and Postretirement Benefit Obligations	471
Long-Term Debt and Preferred Securities	116
Other Liabilities	(20)
Other Paid in Capital	(3,201)
Retained Earnings	792
Accumulated Other Comprehensive Income	6

Reductions to the carrying value of property, plant and equipment balances primarily reflect the fair value of the nuclear generating assets based on discounted cash flow analyses and independent appraisals. Adjustments to deferred income taxes, long-term debt and preferred securities, and other assets and liabilities were recorded based on the estimate of fair market value.

Reductions to unamortized investment tax credits represents the adjustment of nuclear generating asset investment tax credits to fair value. Merger severance obligations relating to ComEd's employee exit costs were recorded in the purchase price allocation. Reductions to pension and postretirement benefit obligations primarily reflect elimination of unrecognized net actuarial gains, prior service costs and transition obligations.

Goodwill represents the purchase price allocation to ComEd of the cost in excess of net assets acquired in the Merger, which was amortized over a forty year period for 2000 and 2001. Annual amortization of goodwill related to the Merger of \$126 million was discontinued upon adoption of SFAS 142.

Goodwill associated with the Merger increased by \$262 million in 2001 as a result of the finalization of the purchase price allocation. The adjustment resulted primarily from the after-tax effects of a reduction of the regulatory asset for decommissioning retired nuclear plants, additional employee separation costs and the finalization of other purchase price allocations.

MERGER-RELATED COSTS

In connection with the Merger, ComEd recorded certain reserves for restructuring costs. Costs incurred prior to the Merger were charged to expense. Costs incurred subsequent to the Merger were reflected as part of the application of purchase accounting and did not affect results of operations.

ComEd's Merger-related costs charged to expense in 2000 were \$67 million consisting of \$26 million of direct incremental costs and \$41 million for employee costs. Direct incremental costs represent expenses directly associated with completing the Merger, including professional fees, regulatory approval and other merger integration costs. Employee costs represent estimated severance payments provided under Exelon's Merger Separation Plan (MSP) for eligible employees whose positions were eliminated before October 20, 2000 due to integration activities of the merged companies.

Included in the purchase price allocation is a liability for employee costs and liabilities for estimated costs of exiting business activities that were not compatible with the strategic business direction of Exelon of \$36 million. During 2001, ComEd finalized its plans for consolidation of functions, including negotiation of an agreement with the union regarding severance benefits to union employees and recorded adjustments to the purchase price allocation. The employee liabilities are as follows:

	Original Estimate	2001 Adjustments	Adjusted Liabilities
Employee severance payments (a)	\$128	\$ 25	\$153
Actuarially determined pension and postretirement costs (b)	158	(13)	145
Relocation and other severance (a)	21	8	29
	----	----	----
Total ComEd - Employee Cost	\$307	\$ 20	\$327
	=====	=====	=====

(a) The increase is a result of the identification in 2001 of additional positions to be eliminated.

(b) The reduction results from lower estimated pension and post retirement welfare benefits reflecting revised actuarial estimates.

The involuntary terminations are a result of merger integration and reengineering of processes, primarily in the areas of corporate support, generation, and energy delivery. During 2001 a portion of the liabilities that related to Generation employees were transferred to Generation as part of the corporate restructuring. Approximately 1,228 ComEd positions, reflecting the corporate restructuring, have been identified to be eliminated as a result of the Merger. ComEd anticipates that \$85 million of employee costs will be funded from its pension and postretirement benefit plans and \$92 million will be funded from general corporate funds. ComEd has terminated 399 employees as of December 31, 2001. The remaining positions are expected to be eliminated by the end of 2002.

The following table provides a reconciliation of the reserve for employee severance and relocation costs associated with the Merger:

Employee severance and relocation reserve as of October 20, 2000	\$ 149
Additional reserve	33

Adjusted employee severance and relocation reserve	182
Payments to employees (October 2000-December 2001)	(75)
Restructuring transfer	(45)

Employee severance and relocation reserve as of December 31, 2001, after restructuring	62
	=====

4. Fossil Plant Sale

In December 1999, ComEd completed the sale of its fossil generating assets to Edison Mission Energy, an Edison International subsidiary (EME), for a cash purchase price of \$4.8 billion. The fossil generating assets represented an aggregate generating capacity of approximately 9,772 megawatts.

Just prior to the consummation of the fossil plant sale, ComEd transferred these assets to an affiliate, Unicom Investment, Inc. (Unicom Investment). In consideration for the transferred assets, Unicom Investment paid ComEd consideration totaling approximately \$4.8 billion in the form of a demand note in the amount of approximately \$2.4 billion and an interest-bearing note with a maturity of twelve years. Unicom Investment immediately sold the fossil plant assets to EME, in consideration of which Unicom Investment received approximately \$4.8 billion in cash from EME. Immediately after its receipt of the cash payment from EME, Unicom Investment paid the demand note in full. Unicom Investment used the remainder of the cash received from EME to fund other business opportunities, including share repurchases. Of the cash received by ComEd, \$1.8 billion was used to pay the costs and taxes associated with the fossil plant sale, including ComEd's contribution of \$250 million of the proceeds to an environmental trust as required by Illinois legislation. The remainder of the demand note proceeds was available to ComEd to fund, among other things, transmission and distribution projects, nuclear generation station projects, and environmental and other initiatives.

The sale produced an after-tax gain of approximately \$1.6 billion, after recognizing commitments associated with certain coal contracts of \$350 million, employee-related costs of \$112 million and contributing to the environmental trust. The coal contract costs include the amortization of the remaining balance of ComEd's regulatory asset for unrecovered coal reserves of \$178 million and the recognition of \$172 million of settlement payments related to the above-market portion of coal purchase commitments ComEd assigned to EME at market value upon completion of the fossil plant sale. The severance costs included pension and postretirement welfare benefit curtailment and special termination benefit costs of \$51 million and transition, separation and retention payments of \$61 million. A total of 1,730 fossil station employee positions were eliminated upon completion of the fossil plant sale on December 15, 1999. The employees whose positions were eliminated have been terminated. Consistent with the provisions of Illinois legislation, the pre-tax gain on the sale of \$2,587 million resulted in a regulatory liability, which was used to recover regulatory assets. Therefore, the gain on the sale, excluding \$43 million of amortization of investment tax credits, was recorded as a regulatory liability in the amount of \$2,544 million and amortized in the fourth quarter of 1999. The amortization of the regulatory liability and additional regulatory asset amortization of \$2,456 million are reflected in depreciation and amortization expense on ComEd's Consolidated Statements of Income.

5. Regulatory Issues

In 2001, the phased process to implement competition into the electric industry continued as mandated by the requirements of Illinois legislation.

Customer Choice As of December 31, 2000, all non-residential customers were eligible to choose a new electric supplier or elect the power purchase option which allows the purchase of electric energy from ComEd at market-based prices. ComEd's residential customers become eligible to choose a new electric supplier in May 2002. As of December 31, 2001, approximately 18,700 non-residential customers, representing approximately 22% of ComEd's annual retail kilowatt-hour sales, had elected to receive their electric energy from an alternative electric supplier or had chosen the power purchase option. Customers who receive energy from an alternative supplier continue to pay a delivery charge. ComEd is unable to predict the long-term impact of customer choice on results of operations.

Rate Reductions and Return on Common Equity Threshold The Illinois legislation provided a 15% residential base rate reduction effective August 1, 1998 with an additional 5% residential base rate reduction effective October 1, 2001. ComEd's operating revenues were reduced by \$24 million in 2001 due to the 5% residential rate reduction. Notwithstanding the rate reductions and subject to certain earnings tests, a rate freeze will generally be in effect until at least January 1, 2005. A utility may request a rate increase during the rate freeze period only when necessary to ensure the utility's financial viability. Under the Illinois legislation, if the earned return on common equity of a utility during this period exceeds an established threshold, one-half of the excess earnings must be refunded to customers. The threshold rate of return on common equity is based on the 30-Year Treasury Bond rate plus 8.5% in the years 2000 through 2004. Earnings for purposes of ComEd's threshold include ComEd's net income calculated in accordance with GAAP and reflect the amortization of regulatory assets and goodwill. As a result of Illinois legislation, at December 31, 2001, ComEd had a regulatory asset with an unamortized balance of \$277 million that it expects to fully recover and amortize by the end of 2004. Consistent with the provisions of the Illinois legislation, regulatory assets may be recovered at amounts that provide ComEd an earned return on common equity within the Illinois legislation earnings threshold. The utility's earned return on common equity and the threshold return on common equity for ComEd are each calculated on a two-year average basis. ComEd did not trigger the earnings sharing provision in 2000 or 2001 and does not currently expect to trigger the earnings sharing provisions in the years 2002 through 2004.

Nuclear Decommissioning Costs In December 2000, the ICC issued an order, effective upon the transfer of the nuclear plants to Generation (see Note 2 - Corporate Restructuring), authorizing ComEd to recover \$73 million annually from customers during the first four years of the six-year term of the PPA between ComEd and Generation. Up to \$73 million annually can also be collected in 2005 and 2006, depending on the portion of the output of the former ComEd nuclear stations that ComEd purchases from Generation. Under the ICC order, subsequent to 2006, there would be no further collection for decommissioning costs from customers. All amounts collected from customers must be remitted to Generation for deposit into the related decommissioning trust funds. The ICC order also provides that any surplus trust funds after ComEd's former nuclear stations are decommissioned must be refunded to ComEd's customers. The ICC order has been appealed to the Illinois Appellate Court by ComEd and other parties.

The \$73 million annual recovery of decommissioning costs authorized by the ICC order represents a reduction from the \$84 million annual recovery in 2000. Accordingly, in the first quarter of 2001, ComEd reduced its nuclear decommissioning regulatory asset to \$372 million, reflecting the expected probable future recoveries from customers. The reduction in the

regulatory asset in the amount of \$347 million was recorded as an adjustment to the Merger purchase price allocation and resulted in a corresponding increase in goodwill. Effective January 1, 2001, ComEd recorded an obligation to Generation of approximately \$440 million representing ComEd's legal requirement to remit funds to Generation for the remaining regulatory asset amount of \$372 million upon collection from customers, and for collections from customers prior to the establishment of external decommissioning trust funds in 1989 to be remitted to Generation for deposit into the decommissioning trusts through 2006. At December 31, 2001, the nuclear decommissioning regulatory asset had an unamortized balance of \$310 million.

6. Supplemental Financial Information

SUPPLEMENTAL INCOME STATEMENT INFORMATION

	For the Year Ended December 31, 2001	For the Period		For the Year Ended December 31, 1999
		October 20- December 31, 2000	January 1- October 19, 2000	
TAXES OTHER THAN INCOME				
Utility	\$203	\$52	\$224	\$288
Real estate	33	22	101	114
Payroll	28	12	57	70
Other	32	(3)	43	35
	----	----	----	----
Total	\$296	\$83	\$425	\$507
	====	===	====	====

The decrease in taxes other than income from the prior year was primarily due to the corporate restructuring in which ComEd's nuclear generating stations were transferred to Generation (see Note 2 - Corporate Restructuring) and a change in presentation of certain revenue taxes which did not affect income.

	For the Year Ended December 31, 2001	For the Period		For the Year Ended December 31, 1999
		October 20- December 31, 2000	January 1- October 19, 2000	
OTHER, NET				
Investment income	\$18	\$ 9	\$ 39	\$ 52
Gain (loss) on forward share repurchase	--	--	113	(44)
Gain (loss) on disposition of assets, net	--	--	(31)	13
APUDC, equity and borrowed	17	--	19	22
Other income (expense)	--	(7)	(13)	9
	----	----	----	----
Total	\$35	\$ 2	\$127	\$ 52
	---	---	----	----

SUPPLEMENTAL CASH FLOW INFORMATION

	For the Year Ended December 31, 2001	For the Period		For the Year Ended December 31, 1999
		October 20- December 31, 2000	January 1- October 19, 2000	
Cash paid during the year:				
Interest (net of amount capitalized)	\$451	\$ 88	\$ 418	\$588
Income taxes (net of refunds)	\$300	\$ 11	\$1,190	\$485
Noncash investing and financing:				
Capital lease obligations incurred	--	--	--	\$ 2
Common stock repurchase	--	\$850	--	--
Settlement of forward share repurchase arrangement	--	--	\$ 993	--
Deferred tax on fossil plant sale	--	--	\$1,094	--
Net assets transferred as a result of the restructuring, net of note payable	\$1,368	--	--	--
Contribution of receivable from parent	\$1,062	--	--	--
Purchase accounting estimate adjustments	\$ (85)	--	--	--
Regulatory asset fair value adjustment	\$ 347	--	--	--
Retirement of treasury shares	\$2,023	--	--	--
Depreciation and amortization:				
Property, plant and equipment	\$369	\$ 82	\$ 543	\$706
Nuclear fuel	--	44	144	66
Regulatory assets	170	9	257	46
Decommissioning	--	16	68	84
Goodwill	126	23	--	--
Total Depreciation and amortization	\$665	\$174	\$1,012	\$902
	====	=====	=====	=====

SUPPLEMENTAL BALANCE SHEET INFORMATION

REGULATORY ASSETS

	at December 31,	
	2001	2000
Nuclear decommissioning costs for retired plants	\$ 310	\$ 719
Recoverable transition costs	277	385
Loss on reacquired debt	54	35
Recoverable deferred income taxes (see Note 11)	26	(29)
Total	\$ 667	\$ 1,110
	=====	=====

See Note 5 - Regulatory Issues - regarding the decrease in nuclear decommissioning costs for retired plants from the prior year.

7. Accounts Receivable

Accounts receivable - Customer at December 31, 2001 and 2000 included unbilled operating revenues of \$261 million and \$318 million, respectively. The allowance for uncollectible accounts at December 31, 2001 and 2000 was \$49 million and \$60 million, respectively.

8. Property, Plant and Equipment

A summary of property, plant and equipment by classification as of December 31, 2001 and 2000 is as follows:

	2001	2000
	----	----
Electric -- Transmission & Distribution	\$6,098	\$5,612
Electric -- Generation	--	1,957
Nuclear Fuel	--	677
Construction Work in Progress	547	683
Plant Held for Future Use	46	50
Other Property, Plant and Equipment	896	912
	-----	-----
Total Property, Plant and Equipment	\$7,587	\$9,891
Less Accumulated Depreciation	236	2,234
	-----	-----
Property, Plant and Equipment, net	\$7,351	\$7,657
	=====	=====

Accumulated depreciation as of December 31, 2000 includes accumulated amortization of nuclear fuel \$52 million, and the nuclear decommissioning liability for the nuclear operating units of \$2.1 billion which were transferred to Generation as part of the corporate restructuring.

The decrease in the net property, plant and equipment balance from the prior year was primarily due to the corporate restructuring in which ComEd's nuclear generating stations were transferred to Generation (see Note 2 - Corporate Restructuring).

9. Notes Payable

	2001	2000	1999
	----	----	----
Average borrowings	--	\$ 214	\$ 7
Average interest rates, computed on daily basis	--	6.56%	7.75%
Maximum borrowings outstanding	--	\$ 494	\$ 8
Average interest rates, at December 31	--	--	8.33%
	-----	-----	-----

Along with Exelon, PECO, and Generation, ComEd, is a party to a \$1.5 billion 364-day unsecured revolving credit facility on December 12, 2001 with a group of banks. ComEd has a \$300 million sublimit under this credit facility, which is used principally to support ComEd's commercial paper program. There was no outstanding debt under this credit facility or commercial paper at December 31, 2001. Interest rates on borrowings under this credit facility are based on the London Interbank Offering Rate as of the date of the advance.

10. Long-Term Debt

	at December 31, 2001		at December 31,	
	Rates	Maturity Date	2001	2000
ComEd Transitional Trust Notes Series 1998-A:	5.34%-5.74%	2002-2008	\$ 2,380	\$ 2,720
First and Refunding Mortgage Bonds (a) (b): Fixed rates	4.40%-9.875%	2002-2023	2,916	3,112
Notes payable	6.40%-9.20%	2002-2018	1,366	1,366
Pollution control bonds:				
Fixed rates	5.875%	2007	44	46
Floating rates	2.59%	2009-2014	92	92
Sinking fund debentures	3.125%-4.75%	2004-2011	23	27
Total Long-Term Debt (c)			6,821	7,363
Unamortized debt discount and premium, net			(122)	(133)
Due within one year			(849)	(348)
Long-Term Debt			\$ 5,850	\$ 6,882

- (a) Utility plant of ComEd is subject to the liens of its mortgage indenture.
- (b) Includes pollution control bonds secured by first mortgage bonds issued under ComEd's mortgage indenture.
- (c) Long-term debt maturities in the period 2002 through 2006 and thereafter are as follows:

2002	\$ 849
2003	697
2004	579
2005	806
2006	770
Thereafter	3,120
Total	\$ 6,821

In 2001, ComEd entered into forward-starting interest rate swaps, with an aggregate notional amount of \$250 million, to manage interest rate exposure associated with the anticipated \$400 million refinancing of ComEd First Mortgage Bonds in the first quarter of 2002. ComEd also entered into an interest rate swap agreement with a notional amount of \$235 million to effectively convert fixed rate debt to floating rate debt.

Prepayment premiums of \$39 million, offset by unamortized issuance premiums of \$17 million, associated with the early retirement of debt in 2001, have been deferred and recorded as regulatory assets and will be amortized to interest expense over the life of the related new debt issuance consistent with regulatory recovery. In 2000 and 1999, ComEd incurred extraordinary charges aggregating \$6 million (\$4 million, net of tax), and \$46 million (\$28 million, net of tax), respectively, consisting of prepayment premiums and the write-offs of unamortized deferred financing costs associated with the early retirement of debt.

11. Income Taxes

Income tax expense (benefit) is comprised of the following components:

	For the Year Ended December 31, 2001 ----	For the Period -----		For the Year Ended December 31, 1999 ----
		Oct. 20- Dec. 31, 2000 ----	Jan. 1- Oct. 19, 2000 ----	
Included in operations:				
Federal				
Current	\$400	\$24	\$(520)	\$1,466
Deferred	16	57	729	(1,135)
Investment tax credit, net	(4)	--	(25)	(78)
State				
Current	92	7	(112)	316
Deferred	2	15	157	(243)
	\$506	\$103	\$229	\$326
	=====	=====	=====	=====
Included in extraordinary items:				
Federal				
Current	\$ --	\$ --	\$(2)	\$(15)
State				
Current	--	--	--	(3)
	\$ --	\$ --	\$(2)	\$(18)
	=====	=====	=====	=====

The effective tax rate varies from the U.S. federal statutory rate for the years ended December 31 principally due to the following:

	For the Year Ended December 31, 2001 ----	For the Period -----		For the Year Ended December 31, 1999 ----
		Oct. 20- Dec. 31, 2000 ----	Jan. 1- Oct. 19, 2000 ----	
U.S. Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Increase (decrease) due to:				
Plant basis differences	0.3	(1.7)	(3.7)	(2.2)
State income taxes, net of Federal Income Tax benefit	5.5	5.9	3.6	4.9
Amortization of goodwill	4.0	3.4	--	--
Amortization of investment tax credit	(0.4)	--	(2.3)	(5.0)
Amortization of regulatory asset	1.4	--	--	--
Unrealized loss (gain) on forward share, repurchase arrangement	--	--	(4.8)	1.5
Other, net	(0.3)	1.0	(0.3)	(0.8)
Effective income tax rate	45.5%	43.6%	27.5%	33.4%
	=====	=====	=====	=====

The tax effect of temporary differences giving rise to significant portions of ComEd's deferred tax assets and liabilities as of December 31, 2001 and 2000 are presented below:

	2001	2000
	----	----
Deferred tax liabilities:		
Plant basis difference	\$ 1,149	\$ 1,638
Deferred investment tax credit	55	59
Deferred debt refinancing costs	13	14
Deferred gain on like-kind exchange	453	466
Other, net	123	--
	-----	-----
Total deferred tax liabilities	1,793	2,177
	-----	-----
Deferred tax assets:		
Deferred pension and postretirement obligations	(119)	(250)
Other, net	--	(120)
	-----	-----
Total deferred tax assets	(119)	(370)
	-----	-----
Deferred income taxes (net) on the balance sheet	\$ 1,674	\$ 1,807
	=====	=====

In accordance with regulatory treatment of certain temporary differences, ComEd has recorded a regulatory asset/(liability) for recoverable deferred income taxes of \$26 million and \$(29) million at December 31, 2001 and 2000, respectively. These recoverable deferred income taxes include the deferred tax effects associated principally with liberalized depreciation accounted for in accordance with the ratemaking policies of the ICC, as well as the revenue impacts thereon, and assume continued recovery of these costs in future rates.

The Internal Revenue Service is currently auditing ComEd's Federal tax returns for 1996 through 1999. The current audits are not expected to have an adverse impact on the financial condition or results of operations of ComEd.

12. Retirement Benefits

ComEd has adopted defined benefit pension plans and postretirement welfare benefit plans sponsored by Exelon. Essentially all ComEd employees are eligible to participate in these plans. In 2001, ComEd's former plans were consolidated into the Exelon plans. Essentially all ComEd management employees, and electing union employees, hired on or after January 1, 2001 are eligible to participate in newly established Exelon cash balance pension plan. Management employees who were active participants in the former ComEd pension plans on December 31, 2000 and remain employed by ComEd on January 1, 2002, will have the opportunity to continue to participate in the pension plan or to transfer to the cash balance plan. Benefits under these pension plans generally reflect each employee's compensation, years of service, and age at retirement. Funding is based upon actuarially determined contributions that take into account the amount deductible for income tax purposes and the minimum contribution required under the Employee Retirement Income Security Act of 1974, as amended. The following tables provide a reconciliation of benefit obligations, plan assets, and funded status for ComEd's proportionate allocated interest in the plans.

	Pension Benefits		Other Postretirement Benefits	
	2001	2000	2001	2000
Change in Benefit Obligation:				
Net benefit obligation at beginning of year	4,460	\$ 4,119	\$ 1,354	\$ 1,169
Corporate restructuring	(2,240)	--	(815)	--
Service cost	38	70	13	33
Interest cost	219	310	40	88
Plan participants' contributions	--	--	1	--
Plan amendments	--	--	(76)	--
Actuarial (gain)loss	116	91	(11)	76
Special accounting costs	--	125	--	42
Gross benefits paid	(145)	(255)	(31)	(54)
Net benefit obligation at end of year	\$ 2,448	\$ 4,460	\$ 475	\$ 1,354
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$ 3,992	\$ 4,266	\$ 925	\$ 949
Corporate restructuring	(2,006)	--	(574)	--
Actual return on plan assets	(68)	(24)	(3)	(2)
Employer contributions	9	5	15	32
Plan participants' contributions	--	--	1	4
Gross benefits paid	(145)	(255)	(31)	(58)
Fair value of plan assets at end of year	\$ 1,782	\$ 3,992	\$ 333	\$ 925
Funded status at end of year	\$ (666)	\$ (468)	\$ (142)	\$ (429)
Miscellaneous adjustment	--	--	--	6
Unrecognized net actuarial (gain)loss	515	183	72	108
Unrecognized prior service cost	--	--	(76)	--
Net amount recognized at end of year	\$ (151)	\$ (285)	\$ (146)	\$ (315)

	Pension Benefits Other			Postretirement Benefits		
	2001	2000	1999	2001	2000	1999
WEIGHTED-AVERAGE ASSUMPTIONS						
AS OF DECEMBER 31,						
Discount rate	7.35%	7.60%	6.75%	7.35%	7.60%	6.75%
Expected return on plan assets	9.50%	9.50%	9.25%	9.50%	9.22%	8.97%
Rate of compensation increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Health care cost trend on covered charges	N/A	N/A	N/A	10.00% decreasing to ultimate trend of 4.5% in 2008	7.00% decreasing to ultimate trend of 5.0% in 2005	8.00% decreasing to ultimate trend of 5.0% in 2005

	Pension Benefits Other			Postretirement Benefits		
	2001	2000	1999	2001	2000	1999
COMPONENTS OF NET PERIODIC BENEFIT COST (BENEFIT):						
Service cost	\$ 38	\$ 70	\$ 120	\$ 13	\$ 33	\$ 41
Interest cost	219	310	285	40	88	82
Expected return on assets	(246)	(394)	(362)	(36)	(85)	(76)
Amortization of:						
Transition obligation (asset)	--	(9)	(13)	--	16	22
Prior service cost	--	(1)	(4)	(4)	3	4
Actuarial (gain) loss	--	(5)	3	1	(17)	(14)
Curtailement charge (credit)	--	--	16	--	--	35
Settlement charge (credit)	--	--	--	--	--	1
Net periodic benefit cost (benefit)	\$ 11	\$ (29)	\$ 45	\$ 14	\$ 38	\$ 95
Special accounting costs	\$ --	\$ 4	\$ --	\$ --	\$ 5	\$ --

SENSITIVITY OF RETIREE WELFARE RESULTS

Effect of a one percentage point increase in assumed health care cost trend on total service and interest cost components	\$ 10
on postretirement benefit obligation	\$ 60
Effect of a one percentage point decrease in assumed health care cost trend on total service and interest cost components	\$ (8)
on postretirement benefit obligation	\$ (54)

The decrease in the net benefit obligation and the fair value of plan assets from the prior year is due primarily to the corporate restructuring (see Note 2 - Corporate Restructuring). Amounts of the obligation allocated to affiliates in the restructuring were primarily based on the relative number of active employees transferred to each affiliate.

Prior service cost is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plans.

Special accounting costs in 2000 of \$125 million represent ComEd's accelerated liability increase, including \$100 million for separation benefits and \$25 million for plan enhancements.

ComEd provides certain health care and life insurance benefits for retired employees through plans sponsored by Exelon. In 2001, to more closely align the benefit plans of ComEd and PECO, Exelon amended the former ComEd postretirement medical benefit plan that changed the eligibility requirement of the plan to cover only employees who retire with 10 years of service after age 45 rather than with 10 years of service and having attained the age of 55. Welfare benefits for active employees are provided by several insurance policies or self-funded plans whose premiums or contributions are based upon the benefits paid during the year.

Additionally, ComEd provides nonqualified supplemental retirement plans which cover any excess pension benefits that would be payable to management employees under the qualified plan but which are limited by the Internal Revenue Code. The fair value of plan assets excludes \$23 million held in a trust as of December 31, 2001 for the payment of benefits under the supplemental plans and \$8 million held in a trust as of December 31, 2001 for the payment of postretirement medical benefits.

ComEd has savings plans for the majority of its employees. The plans allow employees to contribute a portion of their pretax income in accordance with specified guidelines. ComEd matches a percentage of the employee contribution up to certain limits. The cost of ComEd's matching contribution to the savings plans totaled \$20 million, \$31 million, and \$32 million in 2001, 2000 and 1999, respectively.

13. Preferred Securities

PREFERRED AND PREFERENCE STOCK At December 31, 2000, there were 51,773 authorized shares of \$1.425 convertible preferred stock. At December 31, 2001 and 2000, there were 6,810,451 authorized shares of preference stock and 850,000 authorized shares of prior preferred stock.

	Shares Outstanding			at December 31, Dollar Amount		
	2001	2000	1999	2001	2000	1999
WITHOUT MANDATORY REDEMPTION						
\$1.425 convertible preferred stock, cumulative, without par value	--	--	56,291	\$ --	\$ --	\$ 2
Preference stock, non-cumulative, without par value	1,120	1,120	1,120	7	7	7
Total preferred and preference stock	1,120	1,120	57,411	\$ 7	\$ 7	\$ 9
	=====	=====	=====	=====	=====	=====

Preferred and preference stock redemptions were 56,291 and 13,502,949 shares in 2000 and 1999, respectively.

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY THE COMPANY'S SUBORDINATED DEBT SECURITIES At December 31, 2001 and 2000, subsidiary trusts of ComEd had outstanding the following securities:

Series	Mandatory			at December 31,			
	Redemption	Distribution	Liquidation	Trust Receipts Outstanding		Dollar Amount	
	Date	Rate	Value	2001	2000	2001	2000
ComEd Financing I	2035	8.48%	\$ 25	8,000,000	8,000,000	\$ 200	\$200
ComEd Financing II	2027	8.50%	1,000	150,000	150,000	150	150
Unamortized Discount				--	--	(21)	(22)
Total				8,150,000	8,150,000	\$ 329	\$328
				=====	=====	=====	=====

ComEd Financing I and ComEd Financing II are wholly owned subsidiary trusts of ComEd. The sole assets of each ComEd trust are subordinated deferrable interest debt securities issued by ComEd bearing interest rates equivalent to the distribution rate of the related trust security.

The interest expense on the deferrable interest debt securities is included in Distributions on Company-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely the Company's Subordinated Debt Securities in ComEd's Consolidated Statements of Income and is deductible for income tax purposes.

14. Common Stock

At December 31, 2001 and 2000, common stock with a \$12.50 par value consisted of 250,000,000 and 250,000,000 shares authorized and 127,016,000 and 163,805,000 shares outstanding, respectively.

During the second quarter of 2001, ComEd canceled 50.4 million of its common shares totaling \$2.023 million.

At December 31, 2001 and 2000, 67,317 and 74,988, respectively, of ComEd common stock purchase warrants were outstanding. The warrants entitle the holders to convert such warrants into common stock of ComEd at a conversion rate of one share of common stock for three warrants. At December 31, 2001, 22,439 shares of common stock were reserved for the conversion of warrants.

FORWARD PURCHASE AGREEMENTS In the fourth quarter of 1998, ComEd entered into a forward purchase arrangement with Unicom for the repurchase of \$200 million of ComEd common stock. This contract, which was accounted for as an equity instrument as of December 31, 1999, was settled on a net cash basis in February 1999, resulting in a \$16 million reduction to Common Stock equity on ComEd's Consolidated Balance Sheets.

In January 2000, ComEd physically settled the forward share repurchase arrangements it had with Unicom for the repurchase of 26.3 million ComEd common shares. Prior to settlement, the repurchase arrangements were recorded as a receivable on ComEd's Consolidated Balance Sheets based on the aggregate market value of the shares under the arrangements. In 1999, net unrealized losses of \$44 million (after-tax) were recorded related to the arrangements. The settlement of the arrangements in January 2000 resulted in a gain of \$113 million (after-tax), which was recorded in the first quarter of 2000. The settlement of the arrangements resulted in a reduction in ComEd's outstanding common shares and common stock equity, effective January 2000.

STOCK REPURCHASES During the first quarter of 2000, ComEd repurchased four million of its common shares from Unicom for \$153 million using proceeds from the 1998 issuance of transitional trust notes.

In the fourth quarter of 2000, ComEd repurchased 19.9 million of its common shares from Unicom in exchange for an \$850 million note receivable ComEd held from Unicom Investment.

As part of the restructuring, ComEd received 36.8 million of its common shares from Exelon totaling \$1,344 million in exchange for the net assets transferred to Generation and notes payable received from Generation.

SHARES OUTSTANDING The following table details ComEd's common stock and treasury stock:

(in thousands)	Common Shares	Treasury Shares
Balance, December 31, 1998	214,236	179
Conversion of \$1.425 Preferred Stock	2	--
Common Stock Repurchases	--	85
Balance, December 31, 1999	214,238	264
Conversion of \$1.425 Preferred Stock	4	--
Common Stock Repurchases	--	3,964
Stock Forward Repurchase Contract	--	26,268
Balance, October 19, 2000	214,242	30,496
Common Stock Repurchases	--	19,941
Balance, December 31, 2000	214,242	50,437
Retirement of Treasury Shares	(50,437)	(50,437)
Restructuring (see Note 2 - Corporate Restructuring)	--	36,789
Balance, December 31, 2001	163,805	36,789

15. Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of ComEd's financial instruments as of December 31, 2001 and 2000 were as follows:

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
NON-DERIVATIVES:				
Liabilities				
Long-term debt (including amounts due within one year)	\$ 6,699	\$ 7,088	\$ 7,230	\$ 7,455
Company-Obligated Mandatorily Redeemable Preferred Securities	\$ 329	\$ 394	\$ 328	\$ 347
DERIVATIVES:				
Energy derivatives	--	--	(34)	(34)
Forward interest rate swaps	(1)	(1)	--	--

Cash and cash equivalents, customer accounts receivable, and trust accounts for decommissioning nuclear plants are recorded at their fair value.

As of December 31, 2001 and 2000, ComEd's carrying amounts of cash and cash equivalents and accounts receivable are representative of fair value because of the short-term nature of these instruments. Fair values of the trust accounts for decommissioning nuclear plants, long-term debt, and Company-Obligated Mandatorily Redeemable Preferred Securities are estimated based on quoted market prices for the same or similar issues. The fair value of ComEd's interest rate swaps and energy derivatives is determined using quoted exchange prices, external dealer prices, or internal valuation models which utilize assumptions of future energy prices and available market pricing curves.

Financial instruments that potentially subject ComEd to concentrations of credit risk consist principally of cash equivalents and customer accounts receivable. ComEd places its cash equivalents with high-credit quality financial institutions. Generally, such investments are in excess of the Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to customer accounts receivable are limited due to ComEd's large number of customers and their dispersion across many industries.

ComEd has entered into forward-starting interest rate swaps to manage interest rate exposure in the aggregate notional amount of \$250 million. These swaps have been designated as cash-flow hedges under SFAS 133, and as such, as long as the hedge remains effective, and the underlying transaction remains probable, changes in the fair value of these swaps will be recorded in accumulated other comprehensive income (loss) until earnings are affected by the variability of the cash flows being hedged.

ComEd has also entered into an interest rate swap to effectively convert \$235 million in fixed-rate debt to a floating rate debt. This swap has been designated as a fair-value hedge, as defined in SFAS No. 133 and as such, changes in the fair value of the swap will be recorded in earnings. However, as long as the hedge remains effective and the underlying transaction remains probable, changes in the fair value of the swap will be offset by changes in the fair value of the hedged liabilities. Any change in the fair value of the hedge as a result of ineffectiveness would be recorded immediately in earnings.

The notional amount of derivatives do not represent amounts that are exchanged by the parties and, thus, are not a measure of ComEd's exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on the other terms of the derivatives, which relate to interest rates and the volatility of these rates.

ComEd would be exposed to credit-related losses in the event of non-performance by the counterparties that issued the derivative instruments. The credit exposure of derivative contracts is represented by the fair value of contracts at the reporting date. ComEd's interest rate swaps are documented under master agreements. Among other things, these agreements provide for a maximum credit exposure for both parties. Payments are required by the appropriate party when the maximum limit is reached.

The initial adoption of SFAS No. 133, as amended, on January 1, 2001 had no financial statement impact on ComEd. SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at their fair value through earnings, with special accounting permitted for certain qualifying hedges.

Additionally, during 2001, no amounts were reclassified from accumulated other comprehensive income into earnings as a result of forecasted financing transactions no longer being probable.

16. Commitments and Contingencies

CAPITAL COMMITMENTS ComEd estimates that it will spend approximately \$781 million for capital expenditures in 2002.

ENERGY COMMITMENTS In connection with the corporate restructuring (see Note 2 - Corporate Restructuring), ComEd assigned its respective rights and obligations under various power purchase and fuel supply agreements to Generation. Additionally, ComEd entered into a PPA with Generation.

Under the PPA between ComEd and Generation, Generation has agreed to supply all of ComEd's load requirements through 2004. Prices for this energy vary depending upon the time of day and month of delivery. During 2005 and 2006, ComEd's PPA is a partial requirements agreement under which ComEd will purchase all of its required energy and capacity from Generation, up to the available capacity of the nuclear generating plants formerly owned by ComEd and transferred to Generation. Under the terms of the PPA, Generation is responsible for obtaining any required transmission service. The PPA also specifies that prior to 2005, ComEd and Generation will jointly determine and agree on a market-based price for energy delivered under the PPA for 2005 and 2006. In the event that the parties cannot agree to market-based prices for 2005 and 2006 prior to July 1, 2004, ComEd has the option of terminating the PPA effective December 31, 2004. ComEd will obtain any additional supply required from market sources in 2005 and 2006, and subsequent to 2006, will obtain all of its supply from market sources, which could include Generation.

ENVIRONMENTAL ISSUES ComEd's operations have in the past and may in the future require substantial capital expenditures in order to comply with environmental laws. Additionally, under Federal and state environmental laws, ComEd is generally liable for the costs of remediating environmental contamination of property now or formerly owned by ComEd and of property contaminated by hazardous substances generated by ComEd. ComEd owns a number of real estate parcels, including parcels on which its operations or the operations of others may have resulted in contamination by substances which are considered hazardous under environmental laws. ComEd has identified 44 sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. ComEd is currently involved in a number of proceedings relating to sites where hazardous substances have been deposited and may be subject to additional proceedings in the future.

As of December 31, 2001 and 2000, ComEd had accrued \$105 million and \$117 million, respectively, for environmental investigation and remediation costs, including \$100 million and \$110 million, respectively, (reflecting discount rates of 5.5%) for MGP investigation and remediation, that currently can be reasonably estimated. Such estimates, reflecting the effects of a 3% inflation rate before the effects of discounting were \$154 million and \$170 million at December 31, 2001 and 2000, respectively. ComEd anticipates that payments related to the discounted environmental investigation and remediation costs, recorded on an undiscounted basis of \$68 million, will be incurred for the five year period through 2006. ComEd cannot reasonably estimate whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by ComEd, environmental agencies or others, or whether such costs will be recoverable from third parties.

LEASES Minimum future operating lease payments, including lease payments for real estate and vehicles, as of December 31, 2001 were:

2002	\$	28
2003		27
2004		24
2005		20
2006		19
Remaining years		68

Total minimum future lease payments	\$	186
		=====

Rental expense under operating leases totaled \$23 million, \$30 million, and \$45 million in 2001, 2000 and 1999, respectively.

LITIGATION

Chicago Franchise. In March 1999, ComEd reached a settlement agreement with the City of Chicago to end the arbitration proceeding between ComEd and Chicago regarding the January 1, 1992 franchise agreement. As part of the settlement agreement, ComEd and Chicago agreed to a revised combination of ongoing work under the franchise agreement and new initiatives that total approximately \$1 billion in defined transmission and distribution expenditures by ComEd to improve electric services in Chicago, of which approximately \$940 million has been expended through December 31, 2001. The settlement agreement provides that ComEd would be subject to liquidated damages if the projects are not completed by various dates, unless it was prevented from doing so by events beyond its reasonable control. In addition, ComEd and Chicago established an Energy Reliability and Capacity Account, into which ComEd deposited \$25 million during each of the years 1999 through 2001 and has conditionally agreed to deposit \$25 million at the end of 2002, to help ensure an adequate and reliable electric supply for Chicago.

FERC Municipal Request for Refund. Three of ComEd's wholesale municipal customers filed a complaint and request for refund with the FERC alleging that ComEd failed to properly adjust its rates, as provided for under the terms of the electric service contracts with the municipal customers and to track certain refunds made to ComEd's retail customers in the years 1992 through 1994. In the third quarter of 1998, FERC granted the complaint and directed that refunds be made, with interest. ComEd filed a request for rehearing. On April 30, 2001, FERC issued an order granting rehearing in which it determined that its 1998 order had been erroneous and that no refunds were due from ComEd to the municipal customers. On June 29, 2001, FERC denied the customers' requests for rehearing of the order granting rehearing. In August 2001, each of the three wholesale municipal customers appealed the April 30, 2001 FERC order to the Federal circuit court, which consolidated the appeals for the purposes of briefing and decision. In November 2001, the court suspended briefing pending court-initiated settlement discussions.

Godley Park District Litigation. On April 18, 2001, the Godley Park District filed suit in Will County Circuit Court against ComEd and Exelon alleging that oil spills at Bradwood Station have contaminated the Park District's water supply. The complaint sought actual damages, punitive damages of \$100 million and statutory penalties. The court dismissed all counts seeking punitive damages and statutory penalties, and the plaintiff has filed an amended complaint after the court. ComEd is contesting the liability and damages sought by the plaintiff.

Retail Rate Law. In 1996, several developers of non-utility generating facilities filed litigation against various Illinois officials claiming that the enforcement against those facilities of an amendment to Illinois law removing the entitlement of those facilities to state-subsidized payments for electricity sold to ComEd after March 15, 1996 violated their rights under the Federal and State of Illinois constitutions. The developers also filed suit against ComEd for a declaratory judgement that their rights under their contracts with ComEd were not affected by the amendment. On August 4, 1999, the Illinois Appellate Court held that the developers' claims against the state were premature, and the Illinois Supreme Court denied leave to appeal that ruling. Developers of both facilities have since filed amended complaints repeating their allegations that ComEd breached the contracts in question and requesting damages for such breach, in the amount of the difference between the state-subsidized rate and the amount ComEd was willing to pay for the electricity. ComEd is contesting this matter.

Service Interruptions. In August 1999, three class action lawsuits were filed against ComEd, and subsequently consolidated, in the Circuit Court of Cook County, Illinois seeking damages for personal injuries, property damage and economic losses related to a series of service interruptions that occurred in the summer of 1999. The combined effect of these interruptions resulted in over 168,000 customers losing service for more than four hours. Conditional class certification was approved by the court for the sole purpose of exploring settlement talks. ComEd filed a motion to dismiss the complaints. On April 24, 2001, the court dismissed four of the five counts of the consolidated complaint without prejudice and the sole remaining count was dismissed in part. On June 1, 2001, the plaintiffs filed a second amended consolidated complaint and ComEd has filed an answer. A portion of any settlement or verdict may be covered by insurance; discussions with the carrier are ongoing. ComEd's management believes adequate reserves have been established in connection with these cases.

Enron. As a result of Enron Corp.'s bankruptcy proceeding, ComEd has potential monetary exposure for customers served by Enron Energy Services (EES) as a billing agent. On January 7, 2002, EES was authorized by the bankruptcy court to, and subsequently did, reject its contract with 129 of ComEd's customer accounts. As of March 15, 2002, EES was the billing agent for 97 of ComEd's customer accounts. EES has advised Exelon that it will retain its billing

agency with these remaining accounts. ComEd is working to ensure that customers know what amounts are owed to ComEd on 269 accounts on which EES has been removed as billing agent, and has obtained updated billing addresses for these accounts. With regard to the 97 remaining accounts, as of March 15, 2002, ComEd's total amount outstanding is immaterial. Because that amount is owed to ComEd by individual customers, it is not part of the bankrupt Enron's estate. The ICC has rescinded EES's authority to act as an alternative retail energy supplier in Illinois. However, EES never served as a supplier, as opposed to a billing agent, to any of ComEd's retail accounts.

General. ComEd is involved in various other litigation matters. The ultimate outcome of such matters, while uncertain, is not expected to have a material adverse effect on its respective financial condition or results of operations.

17. Related-Party Transactions

At December 31, 2000, ComEd had a \$400 million receivable from PECO, which was repaid in the second quarter of 2001. The average interest rate on this receivable for the period outstanding was 6.5%. Interest income on the receivable from PECO was \$8 million for the year ended December 31, 2001.

ComEd had a \$1.3 billion note receivable from Unicom Investment Inc. at December 31, 2001 and December 31, 2000, relating to the December 1999 fossil plant sale, which is included in Deferred Debits and Other Assets in ComEd's Consolidated Balance Sheets. Interest income earned on this note receivable was \$61 million and \$176 million for the years ended December 31, 2001 and 2000. Interest receivable due on this note was \$24 million and \$38 million at December 31, 2001 and December 31, 2000, respectively, and was included in Current Assets on ComEd's Consolidated Balance Sheets.

At December 31, 2001, ComEd had a \$937 million non-interest bearing receivable from Exelon relating to Exelon's agreement to fund future income tax payments resulting from the collection by ComEd of instrument funding charges. This receivable is reflected as a reduction of Shareholders' Equity in ComEd's Consolidated Balance Sheets and is expected to be settled over the years 2002 through 2008.

At December 31, 2001, ComEd had a short-term payable of \$59 million and a long-term payable of \$290 million to Generation primarily representing ComEd's legal requirement to remit collections of nuclear decommissioning costs from customers to Generation resulting from the restructuring (see Note 5 - Regulatory Issues). These liabilities to Generation were included in Current Liabilities and Deferred Credits and Other Liabilities, respectively, on ComEd's Consolidated Balance Sheets.

In consideration for the net assets transferred as part of the restructuring (see Note 2 - Corporate Restructuring), ComEd had a note payable to affiliates of \$450 million. This note payable was repaid during 2001. Interest expense paid on the outstanding balance of the note payable, excluding the portion related to the nuclear decommissioning liability discussed above, was \$10 million for the year ended December 31, 2001.

ComEd paid common stock dividends to Exelon of \$483 million in 2001.

In connection with the transfer of the generating assets in the corporate restructuring, ComEd entered into a PPA with Generation. See Note 2 - Corporate Restructuring. Intercompany power purchases pursuant to the PPA for the year ended December 31, 2001 were \$2,656 million. At December 31, 2001, there was a \$183 million payable to Generation for the PPA as well as other services provided which is included in Current Liabilities on ComEd's Consolidated Balance Sheets.

ComEd provides electric, transmission and other ancillary services to Generation and Enterprises. These services were recorded in revenues and were \$81 million and \$90 million for

the years ended December 31, 2001 and 2000, respectively. At December 31, 2001, there was a \$26 million receivable from Generation for services provided which is included in Current Assets on ComEd's Consolidated Balance Sheets.

Effective January 1, 2001, upon the corporate restructuring, ComEd receives a variety of corporate support services from BSC, including legal, human resources, financial and information technology services. Such services, provided at cost including applicable overhead, were \$134 million for the year ended December 31, 2001, of which \$128 million was included in Operating and Maintenance (O&M) expense on ComEd's Consolidated Statements of Income and \$6 million was capitalized. At December 31, 2001, there was a \$14 million payable to BSC for services provided which is included in Current Liabilities on ComEd's Consolidated Balance Sheets.

ComEd receives transmission related services under contracts with InfraSource, Inc, formerly Exelon Infrastructure Services, Inc. Such services, totaling \$26 million, were capitalized in 2001.

In 2001, ComEd contracted with Unicom Mechanical Services Inc. to provide energy conservation services to ComEd customers. The costs were \$20 million for the year ended December 31, 2001, and were included in O&M expense on ComEd's Consolidated Statements of Income.

In order to administer payment processing, ComEd processes certain invoice payments on behalf of Generation and BSC. Receivables at December 31, 2001 from Generation and BSC for such service totaled \$21 million and \$19 million, respectively, and were included in Current Assets on ComEd's Consolidated Balance Sheets. Interest income earned on such outstanding receivables from Generation and BSC was \$9 million and \$1 million, respectively, for the year ended December 31, 2001.

18. Quarterly Data (Unaudited)

The data shown below include all adjustments which ComEd considers necessary for a fair presentation of such amounts:

Quarter ended	Operating Revenues		Operating Income		Income Before Extraordinary Items		Net Income	
	2001	2000	2001	2000	2001	2000	2001	2000
March 31	\$1,446	\$1,563	\$380	\$268	\$146	\$209	\$146	\$206
June 30	\$1,530	\$1,711	\$459	\$366	\$182	\$178	\$182	\$177
September 30	\$1,919	\$2,093	\$440	\$366	\$178	\$197	\$178	\$197
December 31	\$1,311	\$1,645	\$315	\$386	\$101	\$152	\$101	\$152

19. Subsequent Event

On March 13, 2002, ComEd issued \$400 million of 6.15% First Mortgage Bonds, due March 15, 2012. On March 21, 2002, ComEd redeemed \$200 million of 8.625% First Mortgage Bonds at the redemption price of 103.84% of the principal amount plus accrued interest. These bonds had a maturity date of February 1, 2022. The \$400 million bond issuance was a replacement of the \$200 million bonds early retired on March 21, 2002 and the \$196 million 9.875% First Mortgage Bonds which were early retired in November, 2001.